

OLD FUND FISCAL YEAR 2015 FUNDING ESTIMATE

The following provides a summary of amounts estimated to fund administrative costs and benefit payments of the Old Fund during fiscal year 2015 (FY15). The Montana State Fund (MSF) administers and pays the claims remaining in the Old Fund (claims occurring prior to July 1, 1990) for the State of Montana. Since the assets of the Old Fund were exhausted in FY11 the General Fund has provided the total resources necessary to support the costs associated with the Old Fund as statutorily required (Section 39-71-2352, MCA).

State law requires MSF to separately determine and account for administrative expenses and benefit payments for claims for injuries resulting from accidents occurring before July 1, 1990 (Old Fund) from those occurring on or after July 1, 1990 (MSF). The law also limits annual administrative costs of Old Fund claims to \$1.25M (Section 39-71-2352(3), MCA). MSF determines the portions of administrative costs (i.e. personnel, system costs and actuarial services) that should be allocated in relation to the Old Fund. This allocation is projected to be \$811,292 in FY14 and it is estimated that the General Fund will need to reimburse \$793,324 in FY15 for the administrative cost.

In addition to the administrative cost, MSF is providing an estimate of the FY15 claim benefit and Department of Labor and Industry (DoLI) assessments. The following table summarizes the Old Fund FY15 funding estimate and comparative prior year data.

Old Fund	<u>FY15</u>	<u>FY14</u>	<u>FY13</u>	<u>FY12</u>
	<u>Estimate</u>	<u>Projection</u>	<u>Actuals</u>	<u>Actuals</u>
Operational Expenses				
Administrative Cost	\$793,324	\$811,292	\$869,735	\$810,534
Assessments-DoLI	152,243	179,851	251,559	208,620
ALAE	138,519	143,831	146,869	187,706
Total Operational	\$1,084,086	\$1,134,974	\$1,268,163	\$1,206,860
Benefit Payments	<u>\$7,383,230</u>	<u>\$7,462,996</u>	<u>\$9,728,585</u>	<u>\$8,568,523</u>
Total Funding	<u>\$8,467,316</u>	<u>\$8,597,970</u>	<u>\$10,996,748</u>	<u>\$9,775,383</u>

Benefit Payments

\$7,383,230 is estimated for benefit payments in the Old Fund. The Old Fund is in a claim run-off situation. However, closed claim files can re-open and new claims can be filed related to occupational diseases occurring before July 1, 1990, such as asbestos exposure.

The estimate for Old Fund benefit payments was derived as follows:

- Benefit payments were estimated after analyzing prior years' benefits paid by month. FY13 actuals and FY14 projected benefits payments were the most heavily weighted data used for estimating the FY15 budget.

- For FY15, it is estimated the ratios of indemnity and medical payments will be 23.9% and 76.1%, respectively. These ratios are comparable to the current year.
- Old Fund benefit payments have been relatively stable for the past ten complete fiscal years as illustrated below.

Fiscal Year	Benefit Payments	Percent Change from Prior Year
FY15 Budget	\$7,383,230	-1.1%
FY14 Projection	7,462,996	-23.3%
FY13 Actuals	9,728,585	13.5%
FY12 Actuals	8,568,523	-5.1%
FY11 Actual	9,033,446	2.1%
FY10 Actual	8,851,271	-18.3%
FY09 Actual	10,834,481	-1.4%
FY08 Actual	10,984,485	5.7%
FY07 Actual	10,395,247	-3.0%
FY06 Actual	10,716,620	5.1%
FY05 Actual	10,196,607	-16.7%
FY04 Actual	12,246,978	

Operating Expense - Assessments

\$152,243 - DoLI Administrative Assessment (\$126,648) and Subsequent Injury Fund SIF) assessment (\$25,595) - These are regulatory assessments from the DoLI as provided in law. The FY15 estimate is the same as the actual FY14 expense invoiced April 21, 2014 by the DoLI's Employment Relations Division.

Allocated Loss Adjustment Expense (ALAE)

\$138,519 - ALAE are costs directly associated with managing a specific claim. The estimated funding for these cost are:

- \$77,853 – Medical bill processing – a decrease of \$2,198 or 2.7% from the FY14 projection of \$80,051. The decrease is the result of a minor decrease in expected medical invoices.
- \$52,492 – All legal expense categories - this is a decrease of \$676 or 1.3% from the FY14 projection of \$53,168.
- \$8,174 is estimated for private investigations and medical consultants.

Costs not included in the Funding Estimate

The FY15 Funding Estimate includes all known and expected costs for the fiscal year. The funding estimate does not include court decisions which may significantly and adversely impact the Old Fund claims. No such decisions are currently anticipated, and updates on the funding estimate will be provided.